

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 22-CR-60197-AHS

UNITED STATES OF AMERICA,

vs.

DAVID J. VARRONE

Defendant.

FACTUAL PROFFER

The United States of America and Defendant DAVID J. VARRONE (“Defendant”) agree that, had this case gone to trial, the United States would have proven, beyond a reasonable doubt, the following facts, among others, which occurred in Broward County, in the Southern District of Florida and elsewhere:

At all times material to the charge in the Indictment, the Defendant was the Chief Executive Officer of The Credit Engineers (“TCE”), a Florida Corporation in Broward County, Florida. And, the Defendant was the Chief Executive Officer of Mindset Merchants, Inc., a Florida Corporation in Broward County, Florida.

From in or about January 2018 through in or about April 2022, the Defendant agreed and conspired with his coconspirators to solicit Victims—using interstate wires—to lease their credit to TCE in exchange for a monthly payment.

Specifically, the Defendant, through TCE, used the Victims’ credit files to apply for large, high-interest loans from third-party lenders, the proceeds of which were deposited into the Victims’ bank accounts. The Victims then transferred all or some

the loan proceeds to TCE or the Defendant at TD Bank Account ending in #2220 and other accounts controlled by the Defendant and his coconspirators.

The scheme included a term repayment structure with a "Balloon Payment" at the end of the term. The Balloon Payment would purportedly be enough for the Victims to pay off any outstanding balances on the loans taken out in their name. However, in every instance, the Defendant and his co-conspirators stopped making monthly payments to the Victims before the expiration of the term period and never made the Balloon Payments.

To induce the Victims to participate in the fraudulent scheme, the Defendant and his coconspirators represented to the Victims via phone, email, text, or social media that TCE would invest the Victims' money in a hedge fund that would generate investment returns that could keep up with the monthly payments on the high-interest-rate loans and still provide excess returns to the Victims for passive income. The Defendant and his co-conspirators touted the Defendant as a self-made billionaire and represented that TCE's credit-leasing program had a 100% success rate. These representations were lies intended to induce the Victims to give the Defendant and his co-conspirators money for the Defendant and his co-conspirators' personal use. In fact, the Victims' funds were not invested in hedge funds as promised and were misappropriated by the Defendant and his co-conspirators.

On October 24, 2019, the Arizona Corporation Commission entered an Order to Cease and Desist, Order for Administrative Penalties, and Consent to Same (the "Arizona Consent Order"). Therein, the Commission set forth the TCE business model

and found that between June 5, 2018, and September 12, 2018, Arizona investors wired \$324,891.12 to TCE and that certain funds were misappropriated by TCE. Specifically, the Arizona Consent Order states, "Little or none of the Arizona Investors' proceeds were invested with a hedge fund."

The Arizona Consent Order concluded that TCE and two other individuals violated the Arizona Securities Act, and that the Defendant directly or indirectly controlled TCE and was jointly and severally liable to the same extent as TCE for any violations of the Arizona Securities Act. The Arizona Consent Order also stated that TCE had repaid the loans obtained by the Arizona Investors. However, without the Commission's knowledge, the Defendant made the repayments to the Arizona Victims using different Victims' funds.

The Defendant also funded the scheme and his family's lifestyle by fraudulently applying for and obtaining pandemic-relief funds in the form of Economic Injury Disaster Loans ("EIDL") from the Small Business Administration ("SBA") using interstate wire communications to apply for the loans and receive loan proceeds. Between August 5, 2020, and March 25, 2022, the Defendant and his co-conspirators received \$649,800 in fraudulent EIDL funds from the United States Government based on false statements about the gross revenue, costs of goods sold, and number of employees of both Mindset Merchants and TCE.

For example, on March 25, 2022, the Defendant reaffirmed the false representations made on August 5, 2020, in EIDL Application Number 3312700701 on behalf of Mindset Merchants, to receive more EIDL funds, and caused the U.S.

Treasury to make an ACH transfer of \$350,000 to Regions Bank Account ending in #0944.

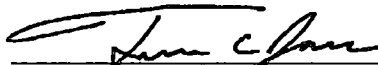
In addition to using Victim funds and SBA funds to continue their scheme by paying other Victims' monthly installments, the Defendant and his co-conspirators used the funds to pay for their mortgage and utilities at their home in Weston, Florida, as well as their family's vehicles, travel, entertainment, college expenses, and other personal expenses.

As a result of the Defendant and his co-conspirators' material misrepresentations regarding the profitability of the TCE business model and the use of investor funds, from in or around January 2018, through in or around April 2022, the Defendant and his co-conspirators, through interstate wire communications, falsely and fraudulently obtained at least approximately \$5,500,000 from over 40 investors, of which he retained at least approximately 2,941,943.33, in addition to the \$649,800 in fraudulent EIDL funds obtained from the United States Government.

JUAN ANTONIO GONZALEZ
UNITED STATES ATTORNEY

DATE: 12/12/2022

BY:



TREVOR C. JONES
ASSISTANT UNITED STATES ATTORNEY

DATE: 12-15-22

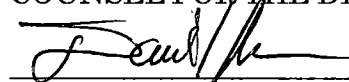
BY:



DAVID TARRAS
COUNSEL FOR THE DEFENDANT

DATE: 12-15-22

BY:



DAVID J. VARRONE
DEFENDANT